

Economics

Overview

The Economics Element considers both the City of Poquoson's financial status as well as plans for additional economic development opportunities. Poquoson continues to have the highest median income for Hampton Roads. This indicates a certain stability and buying power that can sustain the community. Total revenue, when adjusted for inflation and viewed on a per household basis, evidences moderate revenue growth. The growth has come from local sources and not from intergovernmental sources. Given the trend it is reasonable to assume that local revenues will continue to increase. Real estate tax revenue is the largest source of revenue in the City. When adjusted for inflation and viewed on a per household basis, real estate tax revenue has grown at about 5% per year. The downward negative trend in intergovernmental revenue should be expected to continue as the federal and state governments try to balance their budgets, creating more of a burden on the locality. Operation expenditure growth for many years in Poquoson has been thoughtful and deliberate. Even after improving the level and quality of almost every area of service, total per capita operating expenditures remain significantly below the average city in Virginia. Operating expenditures adjusted for inflation and per household has increased less than 1% per year. Capital expenditures have varied depending on cash position, fund balance position, and one-time grants. Even with the additional bond issues, total bonded debt is only 2.7% of the assessed value of real estate, and debt service as a percent of revenues is only 5.9%. There is some capacity available should it become necessary to undertake additional long-term borrowing to fund capital improvements; however, the City must be mindful of how much additional debt that the community can absorb. In order to relieve upward pressure on residential real estate tax rates, it is imperative that the City seeks to increase its ratio of commercial real estate. Most Poquoson residents are in favor of additional economic development in the city. Both Poquoson and the Tabb area of York County have enjoyed steady population growth at rates above the Peninsula average. The majority of this population growth has occurred in the Tabb area, which, due to its proximity to the Big Woods, represents approximately half of the city's potential retail service radius. City retail sales are presently under represented in the areas of restaurant sales, apparel, general merchandise, and gifts and novelties. These opportunities, combined with Poquoson's and Tabb's high median family incomes suggest a market for upscale, "niche" retail development that is not presently being served on the Peninsula. Such upscale development can only be supported by relatively affluent populations with sizable discretionary income such as is found in Poquoson and Tabb.

The population of Poquoson, is essentially at full employment; however, these jobs are not located in Poquoson, with the City having the second highest ratio of out-commuting of any jurisdiction on the Peninsula. While Poquoson is under-represented in manufacturing employment, it is questionable how aggressively the City wants to pursue increased industrialization due to transportation and environmental concerns. Notwithstanding its location on the doorstep of NASA and Langley Air Force Base, the City has not captured any of the regions numerous defense contractors. While NASA is facing possibly significant funding cutbacks, the agency has only recently begun a concerted technology transfer effort to



commercialize the numerous technologies that have been developed by NASA scientists. A number of these scientists are investigating starting their own businesses, and outside firms are licensing NASA technology for application in the commercial marketplace. The City's immediate proximity to NASA and its extraordinary "livability" make Poquoson a viable choice for the location of these new research and development firms, provided appropriate locational opportunities can be made available. While the City's utility infrastructure is good and improving, its location so far from the interstate poses a serious impediment to the location of new, basic employers. Even with the proposed dredging of the channel at Messick Point to 6 feet at mean low water, the shallow channel and remote location dictate a development emphasis on the local seafood and recreational boating industries. Disparate property ownership in the Big Woods may require the City to play a role in coordinating the wishes of individual property owners with the City's public policy objectives. There is presently a 20-30 year supply of industrial and office park land on the Peninsula, most of which have superior interstate access to any potential sites in the City of Poquoson. The market for new office and industrial development is not a level playing field, with intense inter-jurisdictional competition necessitating generous local incentive packages to compete for major deals.

Financial Trend and Forecast Analysis

Prior to developing strategies regarding economic development, it's important to assess the city's financial trends. In addition, it is important to at least attempt to predict what might happen to the city's finances in the future.

Financial Trend Analysis – Each year the City of Poquoson Finance Department prepares a five-year financial trend analysis. This report contains a series of multi-year trends that depict the current financial health of the City of Poquoson. The system used in assessing financial health is based upon the Financial Trend Monitoring System, developed nationally by the International City Management Association, the Government Finance Officers Association, and the accounting firm of KPMG Peat Marwick. The Financial Trend Monitoring System is a practical approach for monitoring the ability of a locality to pay its way on a continuing basis by identifying the factors that affect financial conditions and arranging them in a rational order so that they can be more easily analyzed. By pulling together pertinent information from the City's financial reports, mixing this information with the appropriate economic and demographic data, a series of indicators can be generated that, when plotted over time, can be used to monitor and predict changes in financial conditions.

Much of the data presented below is in 1987 dollars as well as current dollars. The intent is to take inflation out of the numbers in order that the real change, if any, will be more apparent. No single statistical index precisely measures inflation in a given locality. The report uses the National Consumer Price Index (CPI) because it is the index most widely understood by the public at large and because it is historically consistent from year to year. A single year's data should not be viewed as being authoritative. Rather, the data is meaningful only when viewed in a perspective of several years.



Similarly, data is also presented on a per household basis because as revenues grow and additional expenditures become necessary as a result of population growth, the underlying trend is most important. Household estimates from year to year are not precise, but are derived from a combination of U.S. Bureau of Census information, the University of Virginia Center for Public Service and the City of Poquoson Planning Department. Therefore, as is the case with the estimates for inflation, no single year's data should be viewed in isolation.

As stated earlier, many of the trends used in this analysis are presented on a per household basis and in dollars adjusted for inflation. The actual factors used in the analysis are shown below:

Table 1
Factors Used in Analyzing Trends

Year	Consumer Price Index	Annual Increase In CPI	Population	Households
1987	100.0		11,000	3,680
1988	104.4	4.4%	11,000	3,821
1989	109.2	4.6	11,000	3,954
1990	115.9	6.1	11,005	3,884
1991	119.5	3.1	11,010	3,890
1992	122.9	2.9	11,100	3,890
1993	126.2	2.7	11,300	3,960
1994	129.6	2.7	11,500	4,065
1995	133.5	3.0	11,600	4,095
% Chang	29.6%		5.5%	11.3%

CPI Change is December –December. 1995 change estimated by the Kiplinger Washing Letter. 1990 Population and household figures from U.S. Census. Other year's data based upon University of Virginia Center for Public Service and City of Poquoson Planning Department estimates.

Population and Growth – Population and number of household have increased at a steady pace since 1987. Population changes can affect governmental revenues since many taxes are collected on a per capita basis. Population change can also create pressures for new capital outlay and higher level of service.

Building permits issued in the Hampton Roads area were up to 16% from 1993 to 1994. The majority of increase was attributable to residential construction; however, non-residential construction has also picked up. The following table indicated Poquoson's building permit activity over the past several years. As indicated in Table 2, the majority of building permits issues has been residential.



Table 2 – Building Permits Issued in Poquoson

Year	Residential	% Change from Previous Year	Nonresidential	% Change from Previous Year
1987	57	45.7%	8	33.3%
1988	63	10.5	4	(50.0)
1989	38	(39.7)	3	(25.0)
1990	52	36.8	4	33.3
1991	29	(44.2)	2	(50.0)
1992	35	20.7	5	150.0
1993	39	11.4	0	(100.0)
1994	48	23.1	4	100.0

Household Income – Household Income is an important measure of a community's ability to pay for the services provided by the local government. The higher the income, the greater the ability to generate revenue to pay for the desired level of services. For example, a higher income can translate into greater spending power within the community, which translates into greater local sales tax and meals tax revenue, as well as a greater base of personal property value. In addition, if income is evenly distributed, a higher-than-average household income will usually mean lower dependency upon governmental services, particularly in the health and welfare area. Bond rating firms also use such an indicator as an important measure of a locality's ability to repay debt.

Actual data measuring income (Median Household Income and Mean Household Income) is obtained through the U.S. Census. The 1990 U.S. Census showed Poquoson as having a Median Household Income for 1989 of \$43,236, some 30 percent more than the Virginian median household income of \$33,328. Only 2.3% of Poquoson families have income below the poverty level, as compared to the state average of 7.7%. In 1990 for a family of four, the average poverty level is defined as \$12,674 or less, according to the U.S. Census.

Table 3 indicates that Poquoson has the highest median household income in the Hampton Roads area for 1994, at \$53,998, which is 39% above the Virginia average of \$38,936.

Table 3: Median Household Income

	1994
Poquoson	\$53,998
York County	49,422
James City County	46,496
Chesapeake	43,529
Virginia Beach	41,997
Gloucester County	37,861
Hampton	36,180
Newport News	32,429
Williamsburg	29,320
Portsmouth	27,986
Norfolk	27,131
Suffolk	24,507
Virginia	38,936

Source: University of Virginia Center for Public Service



Another good indicator of relative wealth of communities in Virginia is Adjusted Gross Income on tax returns.

In 1992 (the most recent data available), the Median Adjusted Gross Income on married returns filed by Poquoson residents was \$47,991 which is also the highest income in the Hampton Roads area. Poquoson's adjusted gross income is approximately 19% greater than the State as a whole and 24% more than the median for the Hampton Roads area. Approximately 15% of Poquoson families (the lowest percentage in the Hampton Roads area) had incomes of less than \$20,000 while about 23% of the families throughout the State and 24% of those in the Hampton Roads area fell into the same category. Approximately 47% of Poquoson families earned more than \$50,000, a very slim second only to York County as the highest in the area. By comparison, only 38% of the families throughout the State fell into this category and only 34% of the families within the Hampton Roads area. York County and James City County most closely parallel Poquoson's income distribution pattern.



Table 4
Adjusted Gross Income on Married Tax Returns in Virginia 1992

	Median Per Return	\$9,999 And Under	\$10,000 To \$19,000	\$20,000 To \$29,000	\$30,000 To \$39,000	\$40,000 To \$49,000	\$50,000 And Over
Poquoson	47,991	7.3	8.0	10.3	12.7	14.6	47.0
York County	47,757	8.8	9.3	10.1	11.7	13.0	47.1
James City County	46,397	7.7	10.1	11.6	12.3	12.8	45.4
Chesapeake	42,378	9.7	10.5	12.0	14.3	15.3	38.3
Virginia Beach	40,228	10.8	13.0	12.6	13.3	13.7	36.6
Williamsburg	38,231	11.2	14.4	12.8	14.0	10.5	36.9
Suffolk	37,640	12.1	12.8	13.9	14.9	14.9	31.6
Newport News	37,422	11.7	13.1	13.6	15.5	15.2	30.8
Hampton	37,420	11.6	12.6	13.9	16.0	15.6	30.2
Gloucester County	35,533	12.7	13.9	14.4	16.3	14.4	28.2
Portsmouth	32,143	16.9	14.8	14.9	15.8	13.7	23.9
Norfolk	30,408	17.4	16.9	15.1	14.5	11.6	24.5
Virginia	40,454	10.3	12.5	13.1	13.6	12.6	38.0
Hampton Roads	38,548	11.8	12.6	13.2	14.3	14.1	33.8

Source: Virginia Department of Taxation based on State Income Tax Filing

The above noted factors suggest the following:

- Population and household have been increasing at a manageable pace for the last several years.
- Building permits have primarily been residential and the majority of building permits are for new construction. The biggest impact that new residential construction has on City services is in the School system as many of the new residents have school aged Children.
- The growth has had little strain on infrastructure and sewer systems since the developer has paid for much of this.
- Poquoson continues to have the highest median income in Hampton Roads. This indicates a certain stability and buying power that can sustain the community.

Total Revenues – After adjusting for inflation, total revenue received per Poquoson household has increased 12.9% since 1987, or an average of 1.4% per year. This increase does not reflect the effects of a one-time personal property tax windfall in FY 1993 as shown in Table 5.

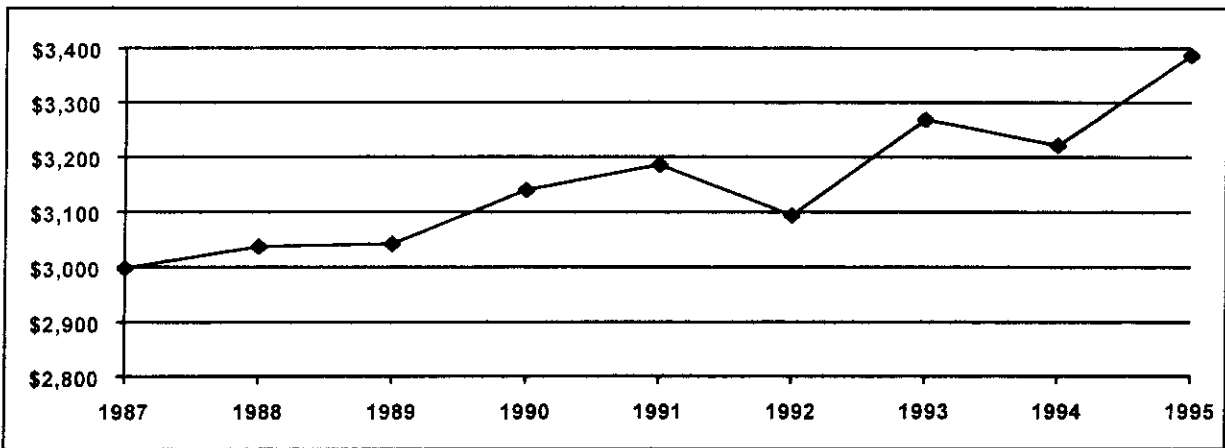


Table 5
Total Revenue Per Household

Year	Revenue in Current Dollars	Revenue Per Household	Revenue in 1987 Dollars	Revenue Per Household
1987	11,034,355	2,998	11,034,355	2,998
1988	12,114,767	3,171	11,604,183	3,037
1989	13,136,313	3,322	12,029,326	3,042
1990	14,128,613	3,638	12,194,162	3,140
1991	14,806,521	3,806	12,395,008	3,186
1992	14,793,736	3,803	12,035,282	3,094
1993	16,342,583	4,127	12,945,735	3,269
1994	16,980,355	4,177	13,097,375	3,222
1995	18,519,200	4,522	13,868,277	3,387
% Change	67.8%	50.8%	25.7%	12.9%

*Source: *Comprehensive Annual Financial Report*, Includes General, Special Revenue, Debt Services and Capital Projects Funds

Exhibit 1
Total Revenue Per Household



A greater percentage of the total revenue is being raised from local sources as a result of decreases in receipts from the State and Federal governments. In 1987, for example, about 48.5% came from local sources while in 1994 approximately 55.1% were raised locally.



Table 6 - Sources of Revenue - Poquoson

<i>Year</i>	<i>Local</i>	<i>State</i>	<i>Federal</i>	<i>Total</i>
1987	48.5%	47.5%	4.0%	100.0%
1988	48.6	47.9	3.5	100.0
1989	51.3	45.4	3.3	100.0
1990	50.6	46.2	3.2	100.0
1991	52.6	44.5	2.9	100.0
1992	52.8	43.9	3.3	100.0
1993	54.0	42.9	3.1	100.0
1994	55.1	41.8	3.1	100.0

Source: *Comparative Report of Local Government Revenues and Expenditures*

When compared with the following data, Poquoson still relies less upon local revenue sources and more upon State revenue, than does the typical Virginia locality.

Table 7 - Sources of Revenue - All Virginia Localities

<i>Year</i>	<i>Local</i>	<i>State</i>	<i>Federal</i>	<i>Total</i>
1987	61.0%	33.2%	5.8%	100.0%
1988	61.2	33.2	5.6	100.0
1989	61.9	31.6	6.5	100.0
1990	61.5	32.1	6.3	100.0
1991	61.1	32.1	6.8	100.0
1992	62.1	30.7	7.2	100.0
1993	60.9	31.4	7.7	100.0
1994	61.7	30.7	7.6	100.0

Source: Annual editions of *Comparative Report of Local Government Revenues and Expenditures*

It is also useful to consider the various sources from which local revenue is raised. As can be seen from the following table, 86.3% comes from General Property Taxes (Real Estate and Personal Property) and Other Local Taxes (Local Sales Tax and Consumer Utility Tax, etc.). This percentage has fluctuated between 85% and 91% since 1987.

Table 8 - Sources of Local Revenue - Poquoson

<i>Year</i>	<i>General Property Taxes</i>	<i>Other Local Taxes</i>	<i>Permits & Fees</i>	<i>Fines</i>	<i>Charges For Services</i>	<i>Interest and Rent</i>	<i>Miscella- neous</i>
1987	73.1%	17.8%	1.8%	0.3%	4.7%	2.0%	0.3%
1988	74.2	16.1	2.0	0.2	4.5	1.8	1.2
1989	71.7	14.3	1.0	0.1	10.2	1.8	0.9
1990	70.7	14.7	1.0	0.2	9.9	2.1	1.5
1991	71.8	14.0	1.1	0.2	10.2	1.4	1.3
1992	71.8	14.5	0.8	0.2	11.1	1.0	0.7
1993	73.0	13.3	0.8	0.3	10.1	0.8	1.9
1994	73.2	13.1	0.9	0.2	10.2	0.8	1.6

Source: Annual editions of *Comparative Report of Local Government Revenues and Expenditures*, Auditor of Public Accounts



As one would expect in a community that does not have an extensive commercial and industrial base, property taxes generate more revenue than in the typical Virginia locality. In order to mitigate the impact of governmental expenditures upon residential taxpayers, more emphasis is being placed upon user charges. Poquoson's local revenue sources are compared to the statewide figures in Table 9.

**Table 9 - Sources of Local Revenue
Poquoson Compared to State Average**

	1986		1994	
	Poquoson	All Cities	Poquoson	All Cities
General Property Taxes	68.4%	53.6%	73.2%	55.2%
Other Local Taxes	15.7	33.5	13.1	30.0
Permits & Fees	1.9	1.0	0.9	0.9
Fines	0.3	1.0	0.2	0.8
Charges for Services	10.4	5.5	10.2	8.8
Interest	2.7	3.2	0.8	1.6
Miscellaneous	0.6	2.3	1.6	2.7

Source: Annual editions of *Comparative Report of Local Government Revenues and Expenditures*, Auditor of Public Accounts

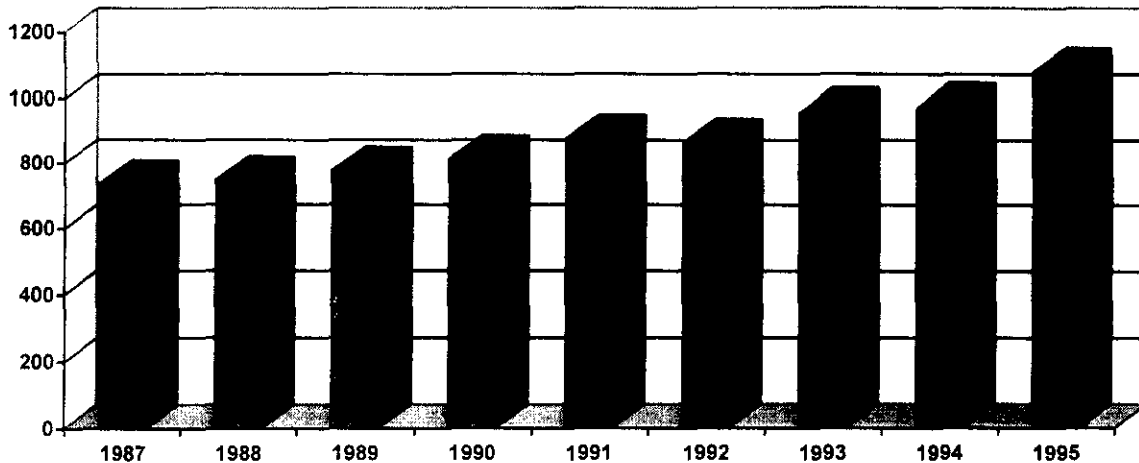
Real Estate Tax Revenue - After adjusting for inflation, real estate tax revenue per Poquoson household has increased by approximately 46.9% since 1987, or an average of 5.2% per year.

Table 10 - Total Real Estate Property Tax Revenue Per Household

Year	Revenue in Current Dollars	Revenue Per House old	Revenue in 1987 Dollars	Revenue Per Household
1987	2,710,005	736	2,710,005	736
1988	2,981,029	780	2,855,392	747
1989	3,356,746	849	3,073,876	777
1990	3,663,289	943	3,161,722	814
1991	4,084,143	1,050	3,418,965	879
1992	4,140,506	1,064	3,368,463	866
1993	4,795,808	1,211	3,799,004	959
1994	5,132,542	1,263	3,958,859	974
1995	5,910,247	1,443	4,425,944	1,081
% CHANGE	118.1%	96.0%	63.3%	46.9%

Source: Annual editions of the Comprehensive Annual Financial Report

Exhibit 2 - Real Estate Tax Revenue Per Household



As shown in Table 11, from 1980 to 1992 the City's nominal tax rate was below the average rate for all cities within the State. In 1993 the City's nominal tax rate was slightly above the average rate for all cities within the State.

In considering Real Estate Tax Revenue, the equity of a locality's assessments must also be considered. The Assessment/Sales Ratio, computed by the State Department of Taxation, compares assessed values and selling prices of all residential property sold within a locality during a given year. Poquoson's ratio almost mirrors the State average, although during non-assessment years, it tends to drop below the average. In the past 3 years, Poquoson's assessment to sales ratio has been higher than the State average.

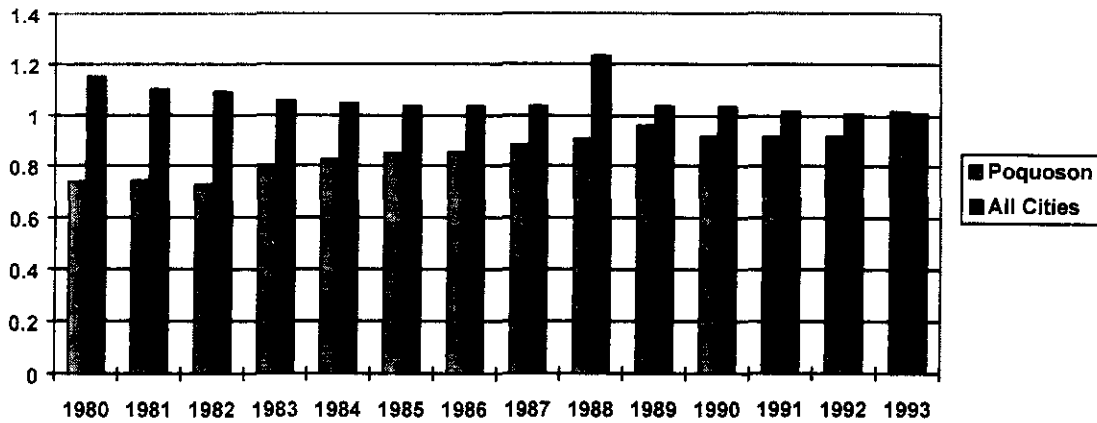
**Table 11 - Nominal and Effective Real Estate Tax Rates/
Assessment to Sales Ratio**

Year	Average Nominal Tax Rates		Assessment/Sales Ratio	
	Poquoson	All Cities	Poquoson	All Cities
1980	\$0.735	\$1.15	83.9%	79.2%
1981	0.740	1.10	77.1%	84.2%
1982	0.725	1.09	92.3%	88.0%
1983	0.785	1.06	86.6%	90.0%
1984	0.825	1.05	87.3%	90.5%
1985	0.850	1.04	82.2%	90.0%
1986	0.855	1.04	89.2%	88.6%
1987	0.885	1.04	84.4%	87.9%
1988	0.910	1.23	82.4%	86.5%
1989	0.960	1.04	85.1%	86.7%
1990	0.920	1.04	83.9%	87.2%
1991	0.920	1.02	93.8%	93.5%
1992	0.920	1.01	93.7%	91.7%
1993	1.020	1.012	93.8%	86.0%

Source: The 1993 Virginia Assessment Sales Ratio Study, Virginia Department of Taxation



Exhibit 3 - Nominal Real Estate Tax Rate



The City remains overwhelmingly dependent upon the single-family residential taxpayer base. The Commissioner of the Revenue has furnished the assessed values for single-family, multi-family residential property, commercial and agricultural property for each of the years shown in Table 12. Although there has been a slight increase since 1983 in the percentage of the tax base represented by commercial property, the category still accounts for only 5.3% of total assessments.

Table 12 - Property Assessments by Category and Percent of Total

Year	Residential		Other		Total
	Single Family	Multi-Family	Commercial	Agriculture	
1983	95.8	0.5	3.5	0.2	100.0
1984	95.3	0.5	4.0	0.2	100.0
1985	95.3	0.5	4.0	0.2	100.0
1986	95.3	0.5	4.0	0.2	100.0
1987	94.1	1.9	3.8	0.2	100.0
1989	93.3	1.7	4.8	0.2	100.0
1990	92.8	1.6	5.4	0.2	100.0
1991	92.9	1.5	5.4	0.2	100.0
1992	92.9	1.5	5.4	0.2	100.0
1993	92.9	1.5	5.4	0.2	100.0
1994	92.9	1.5	5.2	0.4	100.0
1995	92.8	1.5	5.3	0.4	100.0

Source: Assessment data furnished by Commissioner of the Revenue, City of Poquoson

Finally, any analysis of real estate revenue must consider the percentage of taxes actually collected by the Treasurer. Poquoson's record is as follows:

Table 13 - Uncollected Current Property Taxes as a Percent of Net Levy

<i>Year</i>	<i>Percent</i>
1985	0.3%
1986	0.8%
1987	1.0%
1988	1.1%
1989	3.3%
1990	1.5%
1991	3.8%
1992	3.8%
1993	5.5%
1994	2.7%
1995	1.6%

Bond rating firms consider that a municipality will normally be unable to collect about two or three percent of its current and back property taxes each year. If uncollected property taxes rise to more than five to eight percent, rating firms consider this a negative factor because it signals potential problems in the stability of the property tax base. Rating firms also consider it a negative factor if the rate of delinquency significantly rises for two consecutive years.

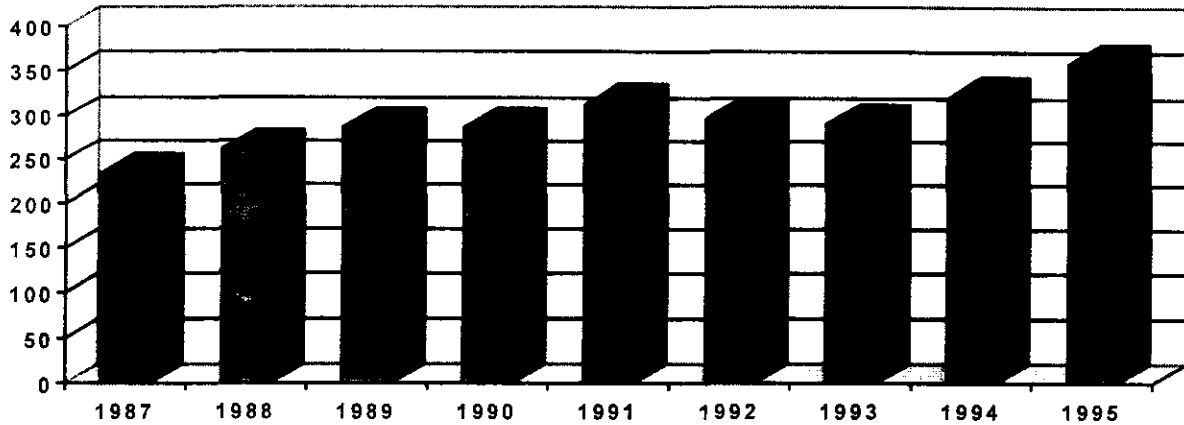
Personal Property Tax Revenue - On a per household basis and after adjustment for inflation, Personal Property Tax Revenue increased slightly every year until 1991, then decreased during 1992 and 1993. This decrease was indicative of the recessionary economic conditions, which began around 1991. In 1994 and 1995, personal property tax revenue increased significantly as residents used savings from refinancing their homes to purchase new vehicles. The following data is net of a one-time windfall in FY 1993.

Table 14
Total Personal Property Tax Revenue Per Household

<i>Year</i>	<i>Revenue in Current Dollars</i>	<i>Revenue Per Household</i>	<i>Revenue in 1987 Dollars</i>	<i>Revenue Per Household</i>
1987	859,804	234	859,804	234
1988	1,044,248	273	1,000,238	262
1989	1,237,410	313	1,133,134	287
1990	1,293,079	333	1,116,034	287
1991	1,458,427	375	1,220,895	314
1992	1,427,048	367	1,160,959	298
1993	1,457,283	368	1,154,388	292
1994	1,696,834	417	1,308,811	322
1995	1,960,997	479	1,468,511	359
% CHANGE	128.1%	105.0%	70.8%	53.5%

Source: Annual editions of the Comprehensive Annual Financial Report

Exhibit 4
Personal Property Tax Revenue Per Household

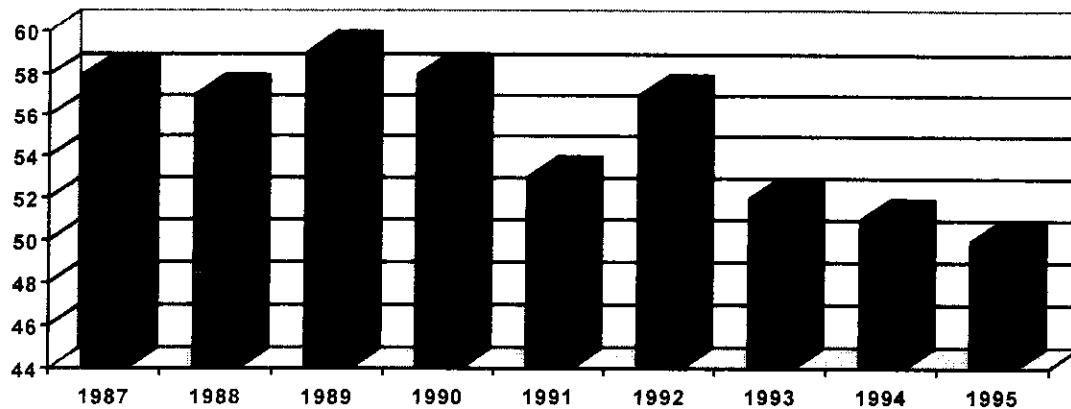


Other Local Tax Revenue - Other Local Tax Revenue consists of revenue received from three general sources: revenue received from the local tax of one percent on taxable retail sales, revenue received from the Consumer Utility Tax imposed on electrical, gas and telephone bills, and revenue from other local taxes such as meals tax, business licenses, motor vehicle licenses, taxes on recordations and wills, etc. In current dollar terms, revenue received from the local one-percent sales tax has increased by 27.2% since 1987. However, when viewed on a per household basis and after adjustment for inflation, revenue has actually declined by 13.8%. This particular source of revenue, like personal property tax revenue, tends to follow general economic conditions. Poquoson's experience mirrors the effects of the recession over the past few years for Virginia localities as a whole.

Table 15
Local Sales Tax Revenue Per Household

<i>Year</i>	<i>Revenue in Current Dollars</i>	<i>Revenue Per Household</i>	<i>Revenue in 1987 Dollars</i>	<i>Revenue Per Household</i>
1987	214,923	58	214,923	58
1988	227,664	60	218,069	57
1989	255,929	65	234,362	59
1990	262,670	68	226,706	58
1991	247,479	64	207,173	53
1992	271,521	70	220,893	57
1993	258,521	65	204,788	52
1994	266,264	66	205,451	51
1995	273,442	67	204,825	50
% CHANGE	27.2%	15.5%	-4.7%	-13.8%

Exhibit 5
Local Sales Tax Revenue Per Household



Similarly, as shown in the Table 16, revenue from the Consumer Utility Tax has also declined when viewed on a per household basis.

Table 16 - Consumer Utility Tax Revenue Per Household

<i>Year</i>	<i>Revenue in Current Dollars</i>	<i>Revenue Per Household</i>	<i>Revenue in 1987 Dollars</i>	<i>Revenue Per Household</i>
1987	322,448	88	322,448	88
1988	320,393	84	306,890	80
1989	345,288	87	316,191	80
1990	327,179	84	282,383	73
1991	332,127	85	278,034	71
1992	337,992	87	274,970	71
1993	354,895	90	281,130	71
1994	356,854	88	275,350	68
1995	377,650	92	282,884	69
% CHANGE	17.1%	4.6%	-12.3%	-21.6%

When viewed on a per household basis after adjusting for inflation, Other Local Tax Revenue has kept pace with residential development. In 1990, the amount of Other Local Tax Revenue increased significantly due to a 4% meal tax, which produced \$100,511. Motor vehicle decal fee increased from \$15 to \$20 in 1991 and from \$20 to \$25 in 1995. Beginning in 1994, the State began returning a larger portion of recordation tax to localities, adding \$28,000 to this category of revenue. In 1995, E-911 tax was increased from \$.58 to \$2.50 per line per month to cover part of the personnel costs related to the E-911 system. This resulted in over \$100,000 of additional revenue.



Table 17 - Other Local Tax Revenue

<i>Year</i>	<i>Revenue in Current Dollars</i>	<i>Revenue Per Household</i>	<i>Revenue in 1987 Dollars</i>	<i>Revenue Per Household</i>
1987	275,900	75	275,900	75
1988	316,085	83	302,763	79
1989	342,012	86	313,191	79
1990	471,777	121	407,183	105
1991	527,995	136	442,001	114
1992	548,840	141	446,503	115
1993	575,174	145	455,625	115
1994	651,753	160	501,736	123
1995	825,817	202	618,590	151
% CHANGE	199.3%	169.3%	124.2%	101.3%

Outlined below is a summary of the revenue indicators based on the noted factors in Table 17:

Total revenue, when adjusted for inflation and viewed on a per household basis, evidences moderate revenue growth. The growth has come from local sources and not from intergovernmental sources. Given the trend it is reasonable to assume that local revenues will continue to increase.

Real estate tax revenue is the largest source of revenue in the City. When adjusted for inflation and viewed on a per household basis, real estate tax revenue has grown at about 5% per year.

Real estate assessments are primarily residential in nature due to a lack of development of commercial businesses in the City. Poquoson's close proximity to other cities has not made it essential for the City to develop a large retail or commercial base, as citizens are able to do shopping and find jobs in neighboring cities. This puts a much higher burden on residents to fund the services of the City compared to neighboring cities who use businesses to fund part of the City services. The City has been aware for years that the business tax base must be developed to take some of the burden off residents, but change has been slow.

From 1983 to 1995, commercial and agriculture real estate assessments have gone from 4% to 6% of the total real estate assessments. The City has recently embarked on a program of economic development so that the tax base may be expanded. In 1997 the City completed the new Municipal Building/Library Complex in the Big Woods. It is hoped that the presence of the new facilities along with the new roads, utilities and sewer into this large undeveloped area, will provide the seed for business development in that area. This should not provide any immediate large shift in the tax base, as it will take several years to open up the area. However, the long-range goal is to shift some of the burden from residences. Personal property tax revenue is the second largest source of revenue in the City.



When adjusted for inflation and viewed on a per household basis, personal property tax revenue has grown at about 6% per year. This is a healthy trend; however, this tax is not as predictable as real estate as total assessments can decrease as vehicles age and are not replaced. Personal property assessments adjusted for inflation and on a household basis have actually decreased in recessionary periods. Because of the lack of predictability, care should be taken to not assume that the trend would continue at an average of 6% increase per year.

While the sales assessment ratio is close to the state average during assessment years (odd years), during non-assessment years the ratio drops. Consideration should be given to an annual reassessment in order to stabilize the amount of tax revenue the City receives.

Intergovernmental revenue provides some funding to the City and considerable funding to the School System. There has been a negative downward trend in the amount of intergovernmental revenue the School System has received. This is serious as the Schools are very dependent on intergovernmental revenues, mainly State funding. The federal and state governments have struggled with their own budgetary problems in the last decade, and have withdrawn and reduced payments to local governments as one of their cutback measures. Since the reduction of intergovernmental funds has come at a time when school enrollment is expanding, this has meant that the loss of funding must be made up with general fund revenues. The downward negative trend in intergovernmental revenue should be expected to continue as the federal and state governments try to balance their budgets, creating more of a burden on the locality.

Expenditures - Total expenditures supported by Local, Federal and State funding, in current dollar terms, have grown from \$11 million in 1987 to a little over \$18 million in 1995, an increase of 66.5%. However, after adjustment for inflation and growth in households, the increase has been only 12.1%, or approximately 1.3% per year.

The operating budget, which funds recurring expenses, has shown a slight increase as new services have been added to meet the needs of a growing community and more mature services have been improved. However, this increase has been extremely small at an average of 0.67% per year. Capital expenditures declined steadily from 1989 to 1993, then increased in 1994 as a result of a grant from the Virginia Port Authority to purchase land in the Messick Point area of the City along with the use of a one time tax windfall to address long standing capital needs. In 1994 the City issued general obligation bonds to fund some long delayed capital projects. In 1995 the City built a Middle School cafeteria with part of the bond funds. The remaining bond funds were spent in 1996 and 1997 for the new municipal building and library.

The tables demonstrate in more detail these points. Total expenditures are shown on this page, with a further breakdown between operating and capital expenditures being given on the following pages.



Table 18 - Total Expenditures per Household

<i>Year</i>	<i>Expenditures in Current Dollars*</i>	<i>Expenditures per Household</i>	<i>Expenditures in 1987 Dollars</i>	<i>Expenditures per Household</i>
1987	11,019,224	2,994	11,019,224	2,994
1988	13,068,537	3,420	12,517,756	3,276
1989	16,141,766	4,082	14,781,512	3,738
1990	15,017,773	3,867	12,961,581	3,337
1991	15,399,039	3,959	12,891,023	3,314
1992	14,975,072	3,850	12,182,806	3,132
1993	15,233,825	3,847	12,067,489	3,047
1994	17,402,762	4,281	13,423,188	3,302
1995	18,347,545	4,480	13,739,731	3,355
% CHANGE	66.5%	49.6%	24.7%	12.1%

* Includes General, Special Revenue, Debt Service and Capital Projects Funds

Source: *Comprehensive Annual Financial Report*

Exhibit 6 - Total Expenditures Per Household

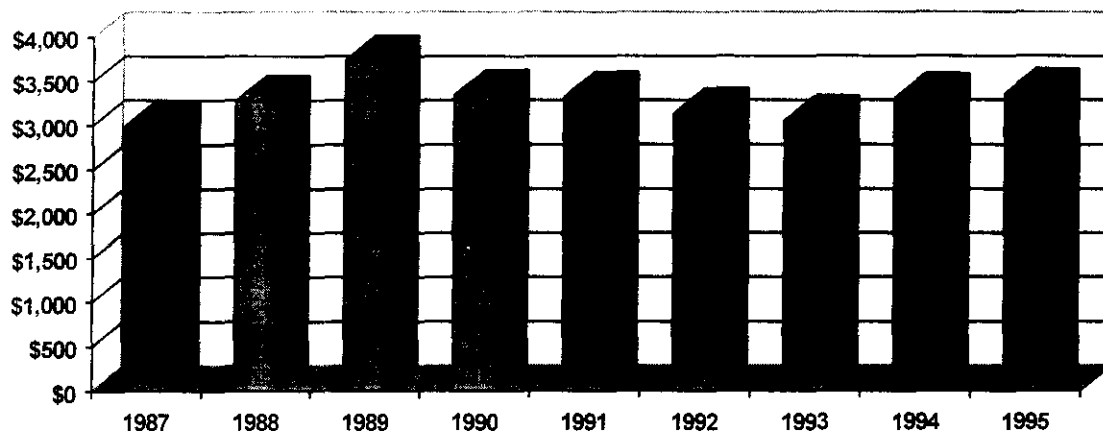


Table 19 - Total Operating Expenditures per Household

<i>Year</i>	<i>Expenditures in Current Dollars</i>	<i>Expenditures per Household</i>	<i>Expenditures in 1987 Dollars</i>	<i>Expenditures per Household</i>
1987	10,543,185	2,865	10,543,185	2,865
1988	11,713,402	3,066	11,219,734	2,936
1989	12,238,144	3,095	11,206,845	2,834
1990	13,807,576	3,555	11,917,081	3,068
1991	14,556,957	3,742	12,186,090	3,133
1992	14,589,967	3,751	11,869,508	3,051
1993	14,891,486	3,760	11,796,305	2,979
1994	15,808,137	3,889	12,193,214	3,000
1995	16,610,051	4,056	12,438,593	3,038
% CHANGE	57.5%	41.6%	18.0%	6.0%

Source: *Comprehensive Annual Financial Report*



Exhibit 7 - Total Operating Expenditures Per Household

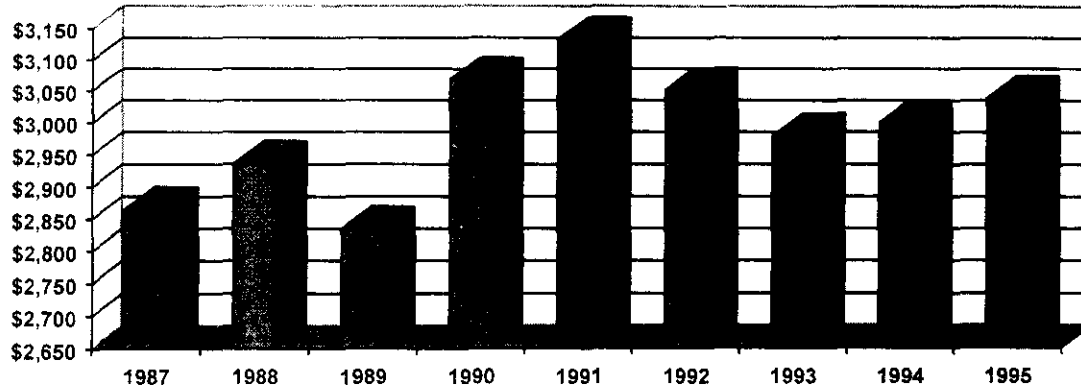


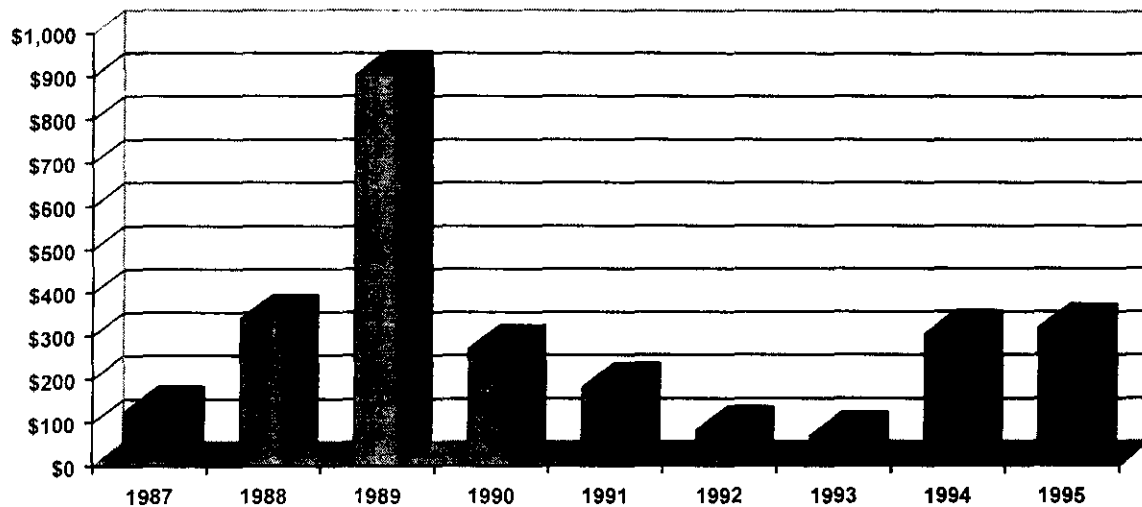
Table 20 - Total Capital Expenditures Per Household

Year	Expenditures in Current Dollars	Expenditures per Household	Expenditures in 1987 Dollars	Expenditures per Household
1987	476,039	129	476,039	129
1988	1,355,135	355	1,298,022	340
1989	3,903,622	987	3,574,667	904
1990	1,210,197	312	1,044,500	269
1991	842,082	216	704,934	181
1992	385,105	99	313,298	81
1993	342,339	86	271,184	68
1994	1,594,625	392	1,229,974	303
1995	1,737,494	424	1,301,139	318
% CHANGE	265.0%	228.0%	173.3%	145.6%

Source: Comprehensive Annual Financial Report



Exhibit 8 - Total Capital Expenditures Per Household



The Tables 21 and 22 depicts the growth in operating expenditures by function of government, on a per-household basis and after adjustment for inflation.

**Table 21 -Operating Expenditures Per Household
In 1987 Dollars**

<i>Year</i>	<i>Education</i>	<i>Public Safety</i>	<i>Public Works</i>	<i>Parks, Recreation and Culture</i>
1987	1,919	298	185	51
1988	1,999	295	196	57
1989	1,875	317	191	66
1990	2,001	349	194	69
1991	2,053	356	209	72
1992	1,948	349	213	76
1993	1,976	357	136	76
1994	2,008	351	134	76
1995	1,982	350	132	80
% CHANGE	3.3%	17.6%	-28.4%	55.9%

Table 22 - General Administration and Debt Service

<i>Year</i>	<i>General Administration</i>	<i>Debt Service</i>	<i>All Other</i>	<i>Total</i>
1987	183	89	140	2,865
1988	209	83	112	2,951
1989	193	102	100	2,844
1990	199	165	92	3,068
1991	189	173	80	3,133
1992	183	189	92	3,051
1993	175	164	95	2,979
1994	181	155	94	3,000
1995	178	201	114	3,038
% CHANGE	-2.8%	126.8%	-18.6%	6.0%

Source: Comprehensive Annual Financial Report

While education; public safety; parks, recreation and culture; and debt service categories have increased since 1987, total expenditures are still about 16 percentage points under the average level of expenditures incurred by other Virginia localities, as shown on the following Table 23AA.

